Centre for Public Sector Labour Relations and Compensation

Total Compensation Strategies Branch

# Public Service Pension Plan Amendment

# Summary of Proposal

On October 19, 2016, Cabinet approved a Memorandum of Settlement between the Crown and the Professional Engineers, Government of Ontario (PEGO).

In doing so, Cabinet agreed that effective January 1, 2017, PEGO represented members in receipt of, or eligible for Long Term Income Protection (LTIP) benefits, who have a minimum of thirty years of credit in the Public Service Pension Plan (PSPP) and are eligible to retire to an actuarially unreduced pension, will be required to pay the employee's portion of the pension contributions while the employee continues to receive or is qualified to receive LTIP benefits.

Treasury Board Secretariat is seeking approval to amend the PSPP to implement provisions of the Memorandum of Settlement.

# Government Commitment

Treasury Board Secretariat is mandated to oversee labour relations and compensation including fair and reasonable collective agreements, ensuring a consistent and co-ordinated approach to negotiated collective agreements that support transformation and government priorities.

Source: TBS Mandate Letter from Premier Wynne; September 23, 2016

# Considerations

- Registration of an adverse pension plan amendment under the Pension Benefits Act requires a prescribed 45-day notice period during which time the implications of the amendment are communicated to affected members by the Ontario Pension Board (as the pension plan administrator of the PSPP).

- An adverse amendment must apply prospectively on or after the effective date of the amendment.

# Key Risks

- **Timelines (risk: low)**
  - One PSPP PEGO represented member will reach his/her eligibility under this provision on May 1, 2017 (i.e. the member should begin making shared pension contributions commencing May 1, 2017 if he/she elects not to retire).
  - In order to accommodate the 45-day notice period for such amendments under the Pension Benefits Act, approval of the Order in Council is desired by March 8, 2017.
  - If approval is received less than 45 days prior to May 1, 2017, the member meeting this provision will not be required to make shared pension contributions until the month following the effective date of the amendment (e.g., June 1, 2017) thus creating an inequity in the application of the negotiated MOS.

- **Legal Challenge (risk: low)**
  - The possibility of a successful legal challenge to this PSPP amendment is considered low.

# Delivery

- There are approximately 607 PEGO represented members in the PSPP, of whom approximately 5 are currently in receipt of LTIP benefits.

- In 2017, it is estimated that 2 of the 5 PEGO represented members in receipt of LTIP benefits will reach the eligibility criteria of this amendment; May 1, 2017, and September 1, 2017.

- If amendment is approved, Treasury Board Secretariat will provide the amendment to the Ontario Pension Board for filing with Financial Service Commission on Ontario and will advise affected plan members.

# Proposed Financial Impact

- The proposed PSPP amendment for PEGO represented members will have no direct impact on the fiscal plan given the number of affected members.

- Experience may evolve over the next several years if other bargaining units successfully align with this strategy. The result may be a positive influence on the annual accounting expense.

- A small cash flow savings of approximately $24,000 and $27,000 for PEGO represented members are expected for fiscal years 2017/2018 and 2018/2019, respectfully.

# Stakeholder Response / Communication Plan

- Affected PSPP PEGO plan members may have difficulty understanding the implications of this amendment on their pension and retirement plans:
  - Ontario Pension Board is responsible for advising affected members of the amendment.
  - Treasury Board Secretariat will coordinate communication products with the Ontario Pension Board, the insurance carrier and the OPS / Ontario Shared Services

# Proposed Minute

Recommend to the Lieutenant Governor in Council approval of an Order in Council to amend the Public Service Pension Plan:

Effective May 1, 2017, PSPP PEGO represented members in receipt of, or eligible for LTIP benefits, who have a minimum of thirty years of credit in the PSPP and are eligible to retire to an actuarially unreduced pension, will be required to pay the employee's portion of the pension contributions if they wish to continue to accrue credit in the PSPP while the employee continues to receive or is qualified to receive LTIP benefits.